

Treasury Secretary Henry M. Paulson, increasingly the point man for the Bush administration as it struggles to steady the economy, made an emergency trip to Capitol Hill on Wednesday seeking to quell a rebellion among conservatives over the plan to shore up struggling mortgage giants Fannie Mae and Freddie Mac.

The conservative backlash to a plan that 48 hours earlier had seemed likely to win quick congressional approval suggested that, no matter what the political risks, there was an ideological point beyond which at least some Republicans would not go in approving government intervention in the economy.

"At a minimum, we need to slow this down," said Rep. Tom Feeney (R-Fla.), speaking for what appeared to be a significant number of Republicans. "Nobody knows what this unrestricted bailout . . . of Fannie and Freddie will cost."

It was an embarrassing challenge to President Bush's authority, especially since it was the second time in a week that Republicans said "no" to the president. On Tuesday, Republicans in both chambers joined Democrats in an overwhelming same-day override of a Medicare bill that Bush vetoed.

Norman J. Ornstein, an expert at the American Enterprise Institute on the relationship between the legislative and executive branches, said that when it came to economic rescue plans, "we're having a tug of war that to some degree involves ideology versus pragmatism."

The main reason is that many members of Congress, including all members of the House, are running for reelection in November, with many Republicans representing carefully drawn districts of conservative voters.

Large numbers of these voters think investors and borrowers got into trouble through greed or misjudgments and should bear the consequences themselves.

In a recent Los Angeles Times poll, 43% of Republicans supported the plan to bolster Fannie Mae and Freddie Mac if necessary and 49% opposed such aid.

Among Democrats, 66% supported the rescue bill and 22% did not.

As for Bush -- he's a lame duck with abysmal public approval.

"Members know that he isn't running and they are," Ornstein said.

Paulson headed to Capitol Hill late in the workday to huddle with Republican lawmakers in a basement conference room.

He emerged with expressions of optimism, but no deal.

"The key thing is getting this done quickly, and I think it will be," Paulson said.

In essence, the administration has asked Congress for the temporary authority to provide emergency capital to Fannie Mae and Freddie Mac, either through direct loans or by buying stock in the companies, which are government-chartered but privately owned.

Paulson has said such aid is not needed now, and may never be necessary, but that the authority to step in is needed to reassure jittery investors.

Together, the companies hold or guarantee about 70% of American homeowners' mortgages.

It was clear after the meeting that Paulson has more work to do to win over Republicans.

"Some are concerned about an open-checkbook liability to the taxpayers," said Rep. John Campbell, a Newport Beach Republican.

He said Paulson sought to assure Republicans that "if this works, the markets will have confidence that it will really take care of itself, and the government backstop will make it such that the government doesn't actually have to ever step in."

Rep. Jeff Flake (R-Ariz.) said the reaction to Paulson was mixed.

"Everybody knows that something has to be done. It's just what are we willing to accept along with this, or what reforms do we get?"

The Republican rebellion reflects a long-standing strain between the party's conservative and moderate wings. Conservatives have never been happy with the two companies' hybrid status, especially what has almost universally been seen as an implicit government guarantee that Freddie and Fannie will never be allowed to fail.

The two "government-sponsored enterprises," as they are officially known, have been able to operate under lower capital requirements than other financial institutions, in large part because their mortgages -- which conform to strict underwriting and are capped at moderate levels -- were seen as safe bets for investors.

In recent days, however, investors began to worry that too many of the mortgages might go sour as the housing crisis deepened and home prices continued to skid.

They began selling off shares last week in what at least some members of Congress consider an unjustified crisis of confidence.

In testimony Wednesday, Federal Reserve Chairman Ben S. Bernanke agreed with that view. He told the House Financial Services Committee that Fannie Mae and Freddie Mac were "adequately capitalized. They are in no danger of failing."

"However, the weakness in market confidence is having real effects as their stock prices fall, and it's difficult for them to raise capital," he added.

But Republicans in both chambers said they were not comfortable with a plan that would expose taxpayers to liabilities that ought to be borne by the companies' shareholders.

Sen. Jim DeMint (R-S.C.) said he was worried about a move to "socialize the mortgage industry."

Other Republicans, including Sen. Judd Gregg of New Hampshire, his party's top-ranking member on the Senate Budget Committee, said some members were worrying too much about abstract principles and not enough about the damage a collapse of the two companies could cause.

"I do think it's taking an ideological view in the face of a very practical problem, which if we don't address, we're going to be in real deep trouble," Gregg said.

Suggesting the possibility of compromise, Sen. Mel Martinez (R-Fla) said, "It is a bailout. But it's a necessary bailout.

"Obviously we can't just have it be a blank check, but I think there is a way for us to provide the kind of backing that Treasury is seeking with enough built-in safeguards to make it workable," Martinez said.

The administration's requests have been added to the provisions of an omnibus housing bill that has already passed both chambers of Congress and had been scheduled for a final vote this week.

Those votes are now not expected until next week.

Republicans had agreed to a trade-off in the bill -- the establishment of a new regulator for Fannie Mae and Freddie Mac, which would have the authority to set higher capital requirements in return for a measure extending government guarantees for about \$300 billion in refinanced mortgages for homeowners facing foreclosure who meet strict requirements.